ACTION ALERT

I plan to vote against the conference report on the financial regulation bill when it comes up in the Senate tomorrow because of changes that were made to the original Senate bill, which I supported.

For starters, the conference report spends TARP dollars even though TARP dollars should be returned to the taxpayers and used for deficit reduction, as was promised from the start. TARP funds should not be recycled to pay for more spending before the program is ended. The conference report also uses FDIC fees twice in a budget gimmick that both credits those fees to the FDIC and uses them to pay for more spending. What's more, big banks should pay for failures rather than consumers, who will bear the brunt of these new fees.

Beyond that, important reforms are watered down in this final version of the bill.

The Federal Reserve should be open to scrutiny and accountability. The Senate bill took a step in that direction, albeit way too small of a step. A lot more should have been done in this area. The House version included a full audit of the Fed, which I supported, and members of the conference could have taken that stronger language.

The $600 trillion derivatives market needs to be made transparent. The conference report weakened Senate-passed requirements, which I voted for from the start, that banks receiving federal assistance remove all derivatives trading to separate operations. Instead, banks will be allowed to continue certain derivatives trading. This leaves banks in a more risky position.

The Senate bill also contained an amendment I cosponsored to stop letting security issuers pick their own credit rating agencies. A lack of independent assessment by credit rating agencies was a major factor in the 2008 meltdown. The conference report guts reform and replaces it with a mere study.

This bill is a bill that most of Wall Street wants passed. And that's the last thing Iowans expect in any real reform bill.

Here's a news report that may interest you:

The New York Times

The Caucus

The Politics and Government Blog of The Times

JULY 14, 2010, 1:35 PM
Grassley a No on Financial Reform Bill

By DAVID M. HERSZEHORN

Senator Charles E. Grassley, Republican of Iowa, said on Wednesday that he would vote against a sweeping overhaul of the nation's financial regulatory system because he said Democrats were using an accounting “gimmick” to pay for administrative costs of the bill and because the legislation, over all, was simply not tough enough on Wall Street.

Mr. Grassley voted in favor of the earlier Senate version of the bill, and he had been a strong advocate of tougher regulation of derivatives, the complex financial instruments that were at the heart of the 2008 financial crisis. Mr. Grassley, as a member of the Agriculture Committee, voted for extremely tight new rules on derivatives trading that were proposed by Senator Blanche L. Lincoln, Democrat of Arkansas and the committee chairwoman.

The provisions on derivatives were softened in the final version of the legislation and Mr. Grassley said he disliked those changes. And Mr. Grassley said he also objected to made to win the vote of Senator Scott Brown, Republican of Massachusetts, who opposed a tax on big banks and hedge funds that would have helped pay for the five-year $20 billion administrative costs of the bill.

Democrats reopened House-Senate negotiations to remove the bank tax and instead came up with a more complex plan that would end the Troubled Asset Relief Program early and also increase the payments that big banks must make to the Federal Deposit Insurance Corporation.

Mr. Grassley is running for re-election this year and is mindful of the anti-Wall Street sentiment throughout much of the country, including in his home state. But he is also one of the fiercest advocates for good-government in the Senate and a frequent crusader against abuses of tax loopholes.

In his statement, Mr. Grassley said he also believed that the Federal Reserve should be subject to more scrutiny and transparency, beyond the limited audits of Fed emergency operations in 2008 that is called for in the legislation.

“It’s a bill that most of Wall Street wants passed,” Mr. Grassley said. “And that’s the last thing Iowans expect in any real reform bill.”

Here is Mr. Grassley’s full statement:

I’ll vote against the conference report because of concerns about changes made to the Senate bill, which I supported.

First, there’s new spending with a new offset that’s a huge problem. The new offset uses TARP dollars. TARP dollars should be returned to the taxpayers and used for deficit reduction, as was promised from the start. I voted for the Senate version of the banking bill to protect taxpayers from another government bailout of Wall Street, not to put taxpayers on the hook by spending more money through TARP.

The new offset also uses F.D.I.C. fees for a budget gimmick by crediting those fees to the FDIC and using them as an offset.

The conference report also waters down important reforms that were in the Senate bill.

I wanted to make the derivatives market transparent. The conference report weakened the Senate derivatives title, which required that banks receiving federal assistance push out all derivatives trading to separate affiliate operations. Instead, the conference report allows certain types of derivatives trading by the bank which puts them in a more risky position.

I also wanted to target conflicts of interest with credit rating agencies. The Senate bill contained an amendment that I cosponsored to break up the conflict of interest where security issuers get to pick the credit rating agencies. A lack of independent assessment in this area was a major factor in what led up to the meltdown in 2008. The conference report guts this reform by replacing it with a mere study.

I also wanted to make the Fed open to scrutiny and accountability. The Senate bill took a step in that direction, albeit way too small of a step. A lot more should have been done in this area.

It’s a bill that most of Wall Street wants passed. And that’s the last thing Iowans expect in any real reform bill.